

**Proposed Substitute
Bill No. 399**

LCO No. 3357

**AN ACT CONCERNING RESEARCH AND DEVELOPMENT TAX
CREDITS.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 12-217zz of the 2016 supplement to the general
2 statutes is repealed and the following is substituted in lieu thereof
3 *(Effective July 1, 2016, and applicable to income years commencing on or after*
4 *January 1, 2016):*

5 (a) Notwithstanding any other provision of law, and except as
6 otherwise provided in subsection (b) of this section, the amount of tax
7 credit or credits otherwise allowable against the tax imposed under
8 this chapter shall be as follows:

9 (1) For any income year commencing on or after January 1, 2002,
10 and prior to January 1, 2015, the amount of tax credit or credits
11 otherwise allowable shall not exceed seventy per cent of the amount of
12 tax due from such taxpayer under this chapter with respect to any such
13 income year of the taxpayer prior to the application of such credit or
14 credits;

15 (2) For any income year commencing on or after January 1, 2015, the
16 amount of tax credit or credits otherwise allowable shall not exceed
17 fifty and one one-hundredths per cent of the amount of tax due from

18 such taxpayer under this chapter with respect to any such income year
19 of the taxpayer prior to the application of such credit or credits;

20 (3) Notwithstanding the provisions of subdivision (2) of this
21 subsection, any taxpayer that possesses excess credits may utilize the
22 excess credits as follows:

23 (A) For income years commencing on or after January 1, 2016, and
24 prior to January 1, 2017, the aggregate amount of tax credits and excess
25 credits allowable shall not exceed fifty-five per cent of the amount of
26 tax due from such taxpayer under this chapter with respect to any such
27 income year of the taxpayer prior to the application of such credit or
28 credits;

29 (B) For income years commencing on or after January 1, 2017, and
30 prior to January 1, 2018, the aggregate amount of tax credits and excess
31 credits allowable shall not exceed sixty per cent of the amount of tax
32 due from such taxpayer under this chapter with respect to any such
33 income year of the taxpayer prior to the application of such credit or
34 credits;

35 (C) For income years commencing on or after January 1, 2018, and
36 prior to January 1, 2019, the aggregate amount of tax credits and excess
37 credits allowable shall not exceed sixty-five per cent of the amount of
38 tax due from such taxpayer under this chapter with respect to any such
39 income year of the taxpayer prior to the application of such credit or
40 credits;

41 (D) For income years commencing on or after January 1, 2019, the
42 aggregate amount of tax credits and excess credits allowable shall not
43 exceed seventy per cent of the amount of tax due from such taxpayer
44 under this chapter with respect to any such income year of the
45 taxpayer prior to the application of such credit or credits;

46 (4) Notwithstanding the provisions of subdivisions (2) and (3) of
47 this subsection, for income years commencing on or after January 1,
48 2016, the amount of tax credit or credits otherwise allowable against

49 the tax imposed under this chapter for such income year may exceed
50 the amount specified in said subdivisions to the extent the amount of
51 credits otherwise allowable under sections 12-217j and 12-217n exceed
52 the amount specified in said subdivisions, provided in no event may
53 the amount of tax credit or credits otherwise allowable against the tax
54 imposed under this chapter for such income year exceed seventy per
55 cent of the amount of tax due from such taxpayer under this chapter
56 with respect to such income year of the taxpayer prior to the
57 application of such credit or credits;

58 ~~[(4)]~~ (5) For purposes of this subsection, "excess credits" means any
59 remaining credits available under section 12-217j, 12-217n or 32-9t after
60 tax credits are utilized in accordance with subdivision (2) of this
61 subsection.

62 (b) (1) For an income year commencing on or after January 1, 2011,
63 and prior to January 1, 2013, the amount of tax credit or credits
64 otherwise allowable against the tax imposed under this chapter for
65 such income year may exceed the amount specified in subsection (a) of
66 this section only by the amount computed under subparagraph (A) of
67 subdivision (2) of this subsection, provided in no event may the
68 amount of tax credit or credits otherwise allowable against the tax
69 imposed under this chapter for such income year exceed one hundred
70 per cent of the amount of tax due from such taxpayer under this
71 chapter with respect to such income year of the taxpayer prior to the
72 application of such credit or credits.

73 (2) (A) The taxpayer's average monthly net employee gain for an
74 income year shall be multiplied by six thousand dollars.

75 (B) The taxpayer's average monthly net employee gain for an
76 income year shall be computed as follows: For each month in the
77 taxpayer's income year, the taxpayer shall subtract from the number of
78 its employees in this state on the last day of such month the number of
79 its employees in this state on the first day of its income year. The
80 taxpayer shall total the differences for the twelve months in such
81 income year, and such total, when divided by twelve, shall be the

82 taxpayer's average monthly net employee gain for the income year. For
83 purposes of this computation, only employees who are required to
84 work at least thirty-five hours per week and only employees who were
85 not employed in this state by a related person, as defined in section 12-
86 217ii, within the twelve months prior to the first day of the income
87 year may be taken into account in computing the number of
88 employees.

89 (C) If the taxpayer's average monthly net employee gain is zero or
90 less than zero, the taxpayer may not exceed the seventy per cent limit
91 imposed under subsection (a) of this section.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2016, and applicable to income years commencing on or after January 1, 2016</i>	12-217zz